

Dear friend,

Next week I will be attending the “Multicultural Real Estate and Policy Conference,” jointly sponsored by the National Association of Hispanic Real Estate Professionals (NAHREP), the Asian Real Estate Association of America (AREAA) and the National Association of Real Estate Brokers (NAREB), whose efforts are directed at supporting sustainable homeownership in the multicultural communities.

Among the topics of discussion will be short sales, a step some homeowners desire to take in order to resolve a troubled mortgage, despite a likely hit to their credit score. It’s an important topic and one VantageScore Solutions details in our latest white paper, [“Impact on Consumer VantageScore Credit Scores Due To Various Mortgage Loan Restructuring Options.”](#)

The conference theme is “Creating a Sustainable Path to Minority Homeownership.” Expanding access to affordable and appropriate mainstream credit structured with the homeowner’s financial well-being in mind is crucial to solving that challenge. Sustainable credit is just as important as sustainable housing. During the conference, we’ll have the opportunity to expand this thought during a panel discussion.

In the meantime, the conference will also allow us to share how VantageScore® was created to score more people, many of whom use credit infrequently or in a non-traditional manner, thus not establishing the sort of credit histories that can be scored by traditional models. Many of these consumers are often deemed “unscorable,” yet deserve access to credit at fair terms, conditions and pricing. We will continue to work with advocacy groups like NAHREP, AREAA and NAREB to help consumers achieve their dreams, build wealth and contribute to strengthening our national economy.

Other topics in this edition of our NewsBlast include new payment hierarchy trends and the “Did You Know?” section describes the effect on consumer credit scores from closing a credit card account.

Sincerely,



Barrett Burns  
President & CEO

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## VantageScore Solutions CEO to Chair National Collections & Credit Risk Conference

VantageScore Solutions President and Chief Executive Officer Barrett Burns will chair the [14th Annual National Collections & Credit Risk Conference](#) to be held March 21-23 at the InterContinental Miami.

Conference attendees will include bank presidents, chief executive officers and senior level banking professionals from credit granting institutions, collection agencies, loan servicers, collection law firms and credit scoring companies.

“While a new year often brings new promise, the credit and collections industries still face many of the same challenges of 2009,” Burns wrote in his conference chair letter. “The economic outlook for 2010 brings mixed forecasts. While some economists predict 2010 will be a growth year, we’re still dealing with high unemployment and mortgage foreclosure rates that aren’t likely to abate soon.”

Burns believes issues such as elevated delinquencies in credit card, mortgage and auto lending and a larger regulatory role for the federal government will be among those discussed at the conference.

Conference sessions will include:

- “New Credit Risk, Collections & Recovery Practices for a New Decade”
- “Decrease Defaults with Untapped Customer Information”
- “Next-Generation Credit Analysis”
- “Facing a Regulatory Revolution – Insight to Help you Prepare”

Those attending will “gain crucial understanding of industry trends and practices,” Burns added, and will have access to key networking opportunities with other industry professionals.

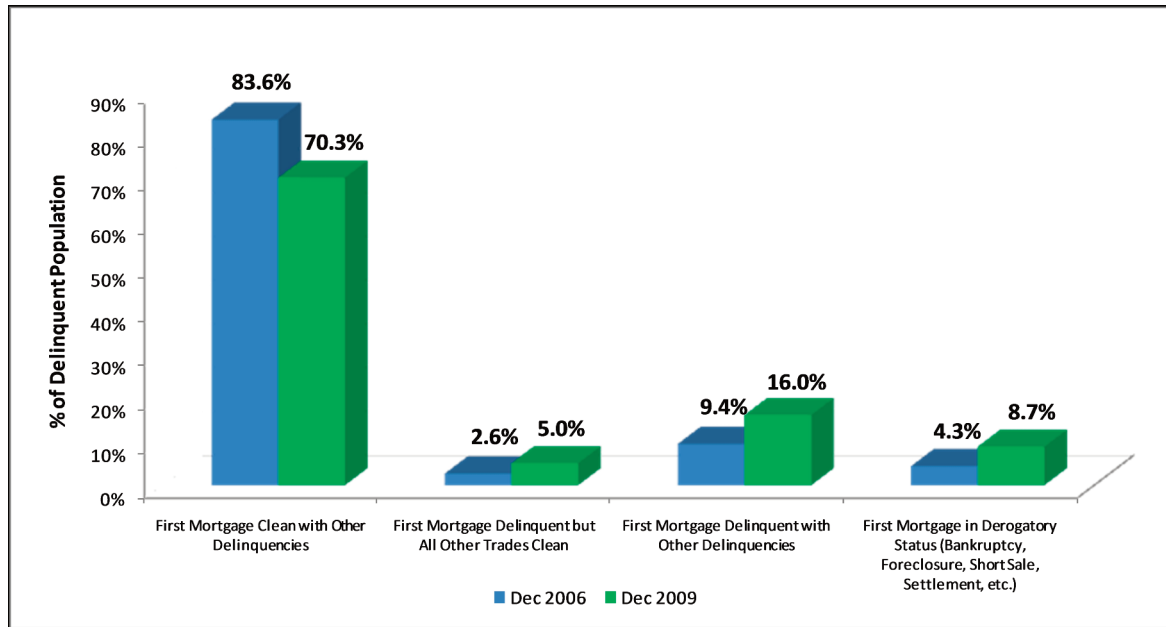
“During my career, credit cycles have ebbed and flowed. Many of us are accustomed to hearing about everything from rising levels of risk to new opportunities in debt-buying and even prospective changes in the regulatory environment,” Burns continued. “How we adapt to this volatile business environment will determine success or failure in the credit and collections industries.”

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## **New Studies Show Payment Hierarchy Shifting Among U.S. Consumers**

Separate research conducted by VantageScore Solutions and TransUnion shows consumers are changing how they pay their bills, choosing credit card obligations over mortgages in increasing numbers.

VantageScore Solutions’ analysis (see chart below) found that for consumers who have at least one delinquent trade, mortgage payment as the priority is changing. The research also shows that fewer consumers who maintained clean mortgage payment behavior in December 2006 (among consumers who had at least one delinquency in their credit file on other trade lines) remained current on their mortgage in December 2009.



(In the graph above, “Clean” means: Debts maintained in good standing, although an occasional 30-day delinquency may have occurred.)

The results show a 16-percent drop in mortgages remaining current. Additionally, the percentage of consumers who have a delinquent mortgage while maintaining all other debts in good standing has increased by more than 90 percent, according to Sarah Davies, VantageScore Solutions Senior Vice President, Analytics and Product Management.

The latest TransUnion study involved consumers with at least one credit card and one mortgage and examined 30-day credit card and mortgage delinquency data between the second quarter of 2008 and the third quarter of 2009.

TransUnion’s research found increased hierarchy reversal, with the percentage of consumers delinquent on their mortgages and current on their credit cards rising to 6.6 percent in the third quarter of 2009 compared with 4.3 percent in the opening quarter of 2008.

The study also found the percentage of consumers who are delinquent on their credit cards and current on their mortgages has decreased to 3.6 percent in the third quarter of 2009, down from 4.1 percent in the first quarter of 2008.

According to Sean Reardon, the study’s author and a consultant in TransUnion’s analytics and decisioning services business unit, the results contradict conventional wisdom about consumer payment habits.

“Recent TransUnion analysis has found that increasingly more consumers are paying their credit cards before making mortgage payments,” Reardon said. “This analysis reaffirms the results of a previous TransUnion study that examined data between the third quarter of 2006 and the first quarter of 2008.”

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## VantageScore Featured in Media Coverage of Charge Cards and Credit Scores

Recent news and trade media coverage has focused on charge cards and how they are treated in a consumer

credit score versus credit cards. Consumers often turn to charge cards to build credit. Charge cards have no pre-set spending limit and charge no interest as long as the full balance is paid off each month. The first charge card, Diner's Club, was launched in 1950, while the first nationally accepted charge card, American Express, was issued in 1958.

In a January 25, 2010 Bankrate.com article, Sarah Davies, VantageScore Solutions Senior Vice President, Analytics and Product Management, explained how VantageScore incorporates the maximum credit when looking at the sum of all the credit lines owed by the consumer, but not in credit card utilization (which accounts for 23 percent of a consumer's credit score).

The full Bankrate.com article can be viewed here:

<http://www.bankrate.com/finance/credit-cards/is-a-charge-card-same-as-a-credit-card.aspx>

A February 2, 2010 WalletPop.com article on charge cards discussed VantageScore's treatment of charge card balances when calculating a consumer's credit score. Launched in 2008, WalletPop.com is a personal finance site and a spin-off of AOL Money & Finance.

The full WalletPop.com article can be seen here:

<http://www.walletpop.com/blog/2010/02/02/charge-cards-versus-credit-cards-versus-debit-cards/>

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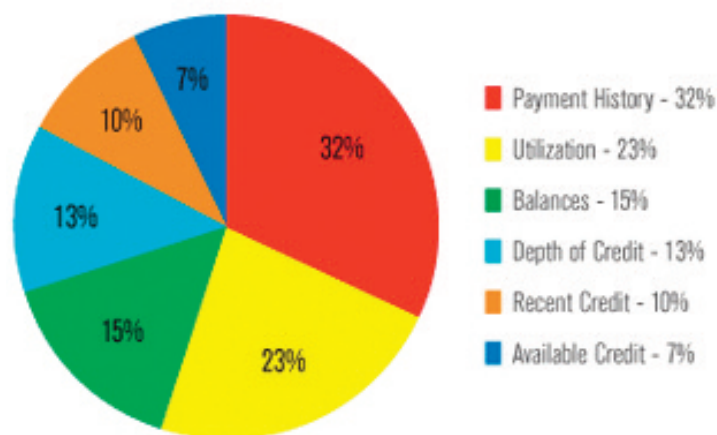
## **“Did You Know?” Closing a Credit Card Account Won't Help a Credit Score**

In a Credit.com article entitled, “The Top 10 Credit Mistakes,” closing a credit card account earned the top spot because many consumers don't realize the impact this action will have on several areas of their credit score. While paying off credit card balances will have a positive effect, closing an account will affect several of the consumer characteristics of a VantageScore credit score, in particular the utilization rate.

A consumer with two credit cards, each with a \$5,000 limit, has a total credit limit of \$10,000. Having a \$5,000 balance on one card and a zero balance on the other means the consumer's overall utilization rate is 50 percent. If the consumer closes the account with the zero balance, the total available credit drops to \$5,000 and the overall utilization rises to 100 percent.

An increase in utilization can have a negative impact on a credit scores.

## Consumer Characteristics Contributing to a VantageScore Credit Score



Closing an existing credit card account also hurts a credit score because it erases the length of credit history, which is calculated as part of “Depth of Credit.” If a consumer must close an account, closing the oldest account is the least favorable option because the longer a line of credit is open, the more history a consumer has accumulated.

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## VantageScore Solutions 2010 Conference Schedule

### **AREAA/NAHREP/NAREB**

#### **Multicultural Real Estate & Policy Conference**

March 3-6

Ritz-Carlton

Washington, D.C.

<http://www.areaa.org/events.php?PHPSESSID=d8cfab29bc351a723558e4f357ae07be>

### **14th Annual National Collections & Credit Risk Conference**

VantageScore Solutions President and CEO Barrett Burns will serve as conference chairman.

March 21-23

Intercontinental Miami

Miami, Fla.

<http://www.americanbanker.com/conferences/nccr10/>

### **15th Annual Best Practices in Retail Financial Services Symposium**

VantageScore Solutions Senior Vice President Sarah Davies will speak.

March 21-23

Hyatt Regency Central Cypress

Orlando, Fla.

<http://www.americanbanker.com/conferences/retail10/>

## 22nd Annual Card Forum and Expo

May 16-18

Hyatt Regency Central Cypress

Orlando, FL

<http://www.americanbanker.com/conferences/cfe10/>

### About VantageScore

VantageScore is the generic credit scoring model created by America's three major credit reporting companies. Our highly predictive model uses an innovative, patent-pending scoring methodology to provide lenders with a consistent interpretation of consumer credit files. This means lenders can help more creditworthy borrowers, and millions of Americans who use credit infrequently can be accurately scored.

# VANTAGESCORE<sup>®</sup>

The New Standard in Credit Scoring.

[VantageScore.com](http://VantageScore.com)